



## INSURANCE

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The key to convincing an insurance carrier to accept the risk of insuring a building slated for rehabilitation is to communicate your plan to your insurance agent. The agent will especially need to know about the status and potential repair plan for the 4 common loss exposures: roof, wiring, plumbing, and HVAC, all of which need to be addressed regardless of the building's age and condition. An old shell of a building is not the problem; the four common loss exposures are what cause losses. In my rehabilitation of an 1867 building, I replaced all of these except the roof, but I did need to disclose the age of the existing roof.

Standard insurance carriers do not want to insure completely vacant buildings. In fact, in some circumstances, certain coverages are automatically suspended when a building experiences a period of vacancy. Vacant buildings attract vandalism, suspicious fires, and increased liability risks. They are insurable but at a price through specialty carriers. During the renovation of an unoccupied building, the owner can insure the structure with some form of a builders' risk policy, similar to new home construction. Its cost is based on the completed value of the project and the construction schedule. Companies want to see continuous activity and progress on the project.

The insurance industry regards sprinklers as reducing risk, and, therefore, usually offers reduced insurance rates for sprinkled buildings. However, the reduction of the rate is not necessarily enough to pay back the cost of the system.

Apartments do not pose a problem as long as they have proper egress and smoke and fire alarms. Converting a house into apartments is a problem and is not desirable. Again, the mechanical systems are important, and communicating with the agent and his/her company is crucial.

Unfortunately, some agents who do not have an appreciation for old buildings will not want to spend their time on them.



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